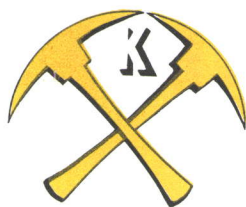


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cc J. Whitehead



# KELMINE CORP.

4901 YORK STREET • P.O. BOX 16043 • DENVER, COLORADO 80216 • PHONE 303/534-4102

June 25, 1986

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
355 West - North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203

RECEIVED  
JUN 27 1986

DIVISION OF  
OIL, GAS & MINING

Attention: John Whitehead

Dear Mr. Whitehead:

This is an amendment to my letter dated June 9, 1986 and pertains to a change in Topic 27, M-5 Surety Calculation. The annual incremental bond is to be determined by taking the cumulative annual disturbance listed in the attached table less the total permanent site disturbance, multiplied by the cost per acre of the ongoing reclamation, then adding the one time fixed costs of reclaiming the permanent facilities. This sum is then multiplied by the annual escalation factor.

The ongoing cost per acre of reclamation is the total reclamation cost less the cost of reclaiming the permanent facilities divided by the total acres to be reclaimed less the permanent site acres:

Total reclamation cost	\$333,033.64
Less: Dismantle and remove buildings	\$10,477.30
Recontour haul road	5,788.40
Remove haul road fill	19,001.91
Backfill process ponds	20,697.86
Topsoil pretreat site	3,209.54
Topsoil process area	3,446.60
Topsoil haul road disposal site	10,832.18
Revegetate permanent sites (24.4 ac. x \$406.52/ac.)	9,919.09
Total to reclaim permanent sites	\$83,372.88

The permanent site acreage totals 24.4.

$(333,033.64 - 83,372.88) \div (112.25 - 24.4) = 2,841.90/\text{Ac.}$

Therefore, each year's bond would be calculated as follows:

$$\text{Bond} = (a \cdot \$2,841.90 + 83,372.88) - (1+i)^n$$

Where: n = Year to be bonded

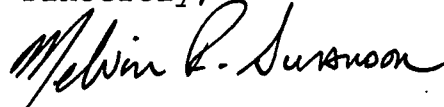
i = Escalation rate, currently at 1.62%/yr.

a = Net acreage disturbed in year n, derived by subtracting 24.4 acres from the cumulative disturbance per year. If the value is less than zero, no credit is given.

The bond for year one would be:

$$\begin{aligned} \text{Bond} &= [(22.15 - 24.4) \cdot \$2,841.90 + \$83,372.88] \cdot (1+.0162)^1 \\ &= \$84,723.52 \end{aligned}$$

Sincerely,



Melvin R. Swanson  
Manager

MRS/n  
Encls.

# DISTURBANCE & RECLAMATION OVER LIFE OF PROJECT

Time Yr.	Retreatment Plant	Oxide Tailings Pile	Process Area & Plant & Ponds & Emergency Road	Sulfide Leach Pads No.s 1, 2, 3 & 4	Mining Operations	Reclaim Topsoil Stockpiles	Haul Road & Access Roads, Ditches & Pipeways	Haul Road Disposal Site	Waste Dump	Disturbance Per Year	Reclamation Per Year	Net Disturbance Per Year	Cumulative Disturbance Per Year
1	5.6		5.55		2.0	3.25	5.75			22.15	0.0	22.15	22.15
2		1.7			2.0				4.25	7.95	0.0	7.95	30.10
3		2.0			2.0				4.25	8.25	0.0	8.25	38.35
4		2.0		6.8	2.0				4.25	15.05	0.0	15.05	53.4
5		®			2.0				® 4.25	6.25	15.7	-9.45	43.95
6									4.25	4.25	0.0	4.25	48.20
7				6.8					® 4.25	11.05	10.0	1.05	49.25
8				®					4.25	4.25	6.8	-2.55	46.70
9									4.25	4.25	0.00	4.25	50.95
10				7.6					® 4.25	11.85	10.0	1.85	52.80
11				®					4.25	4.25	6.8	-2.55	50.25
12									® 4.25	4.25	10.0	-5.75	44.50
13				4.7					4.25	8.95	0.0	8.95	53.45
14				®			®		2.0	2.0	13.35	-11.35	42.10
15								7.5	®	7.5	20.5	-13.0	29.10
16	®		®	®		®				0.0	19.10	-19.10	10.00
TOTAL	5.6	5.7	5.55	25.9	10.0	3.25	5.75	7.5	53	122.25	112.25	10.0	10.00

NOTE: ® denotes year of incremental reclamation.